

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)	CASE NO.
HENDERSON WATER UTILITY REVISING ITS)	2021-00067
WHOLESALE WATER SERVICE RATES)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO HENDERSON WATER UTILITY

Henderson Water Utility (Henderson Water), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on April 9, 2021. The Commission directs Henderson Water to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Henderson Water shall make timely amendment to any prior response if Henderson Water obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Henderson Water fails or refuses to furnish all or part of the requested information, Henderson Water shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Henderson Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 1. Provide the written direct testimony of each witness identified by Henderson Water in its response.

2. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 2, the Independent Auditor's Report for Fiscal Year ending June 30, 2020, Schedule of Revenues, Expenses, and Changes in Net Position by Division and Item 15, Depreciation Schedule. Provide separate depreciation schedules

to support the assets and depreciation reported in column 1 (North Water) and in column 4 (South Water). The depreciation schedules should be in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

3. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 11, Excel Spreadsheet: _11_Historical_Benefit_Costs; Tab 2020.

a. Provide a schedule containing the monthly health insurance premium paid by Henderson Water for each employee listed on the schedule. The employee health insurance premium schedule should be in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Provide a schedule containing the monthly health insurance premium contribution made by each Henderson Water employee listed on the schedule. The employee health insurance contribution schedule should be in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

c. Provide a detailed explanation as to why some employees listed on the schedule did not make any contributions towards their health insurance premium.

4. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 15, Depreciation Schedule, and to the National Association of Regulatory Commissioners (NARUC) Depreciation Practices for Small Water Utilities, August 15, 1979, Figure 1, Typical Service Lives, Salvage Rates, and Depreciation Rates, Small Water Utilities (NARUC Survey). A copy is hereby attached as an Appendix.

a. Provide a schedule, in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible, that compares the depreciation lives in Henderson Water's schedule to the average service life ranges in the NARUC Survey.

b. Using the midpoint depreciation life of the average service life ranges in the NARUC Survey, recalculate Henderson Water's pro forma depreciation expense. Provide the recalculation of pro forma depreciation expense in Excel spreadsheet format with formulas, rows, and columns unprotected and fully accessible.

5. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 15, Depreciation Schedule. Provide any analysis or study prepared by Henderson or its auditors showing that Henderson Water's Capitalization Policy and depreciation lives are reasonable.

6. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 33.a., Excel Spreadsheet: _33a_Beech_Grove_South_Water_Contract_FY_2020; Tabs: 2020 and 2019. Between fiscal years 2019 and 2020 the reported operating expenses for the South Water system increased from \$2,005,557 to \$2,493,588, an increase of \$488,031 or 24.3 percent. Provide a detailed explanation for the 24.3 percent increase in the operating expenses for the South Water system.

7. Refer to Henderson's responses to the Commission's February 23, 2021 Order, Appendix B, Item 33.a., Excel Spreadsheet: _33a_Beech_Grove_South_water_contract_FY2020.

a. Provide a detailed explanation of how the amount of 861,372,839, labeled as billable volumes in gallons, was determined. Include in the explanation the

adjustments to total gallons billed, that were made and a description of why the adjustments were made.

b. Provide an explanation of why this volume is appropriate to use when calculating a rate for Beech Grove District.

8. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 34.a., Excel Spreadsheet: _34a_HCWD_North_Water_Contract_FY2020.

a. Provide a detailed explanation of how the amount of 2,234,826,585, labeled as volumes in gallons, was determined. Include in the explanation why no adjustments to total gallons distributed were made compared to the other wholesale rate calculations.

b. Provide an explanation of why this volume is appropriate to use when calculating a rate for Henderson District North.

9. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 34.a., Excel Spreadsheet: _34a_HCWD_South_Water_Contract_FY2020.

a. Provide a detailed explanation of how the amount of 950,741,456, labeled as volumes in gallons, was determined. Include in the explanation the adjustments to total gallons distributed that were made and a description of why the adjustments were made.

b. Provide an explanation of why this volume is appropriate to use when calculating a rate for Henderson District South.

10. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 33.a., Excel Spreadsheet: _33a_Beech_Grove_South_Water_Contract_FY_2020; Tabs: 2020 and 2019. Between fiscal years 2019 and 2020 the reported operating expenses for the South Water system increased from \$2,005,557 to \$2,493,588, an increase of \$488,031, or 24.3 percent. Provide a detailed explanation for the 24.3 percent increase.

11. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 34.a., Excel Spreadsheet: _34a_HCWD_North_Water_Contract_FY_2020; Tabs: 2020 and 2019. Between fiscal years 2019 and 2020 the reported operating expenses for the North Water system increased from \$5,479,289 to \$6,075,926, an increase of \$596,637, or 10.9 percent. Provide a detailed explanation for the 10.9 percent increase.

12. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 35. Confirm that the 15 percent markup in the Beech Grove Agreement and the 25 percent markup in the Henderson District Contract are the product of contractually negotiated terms and they were not designed to recover any specific operating costs.

13. Refer to Henderson Water's responses to the Commission's February 23, 2021 Order, Appendix B, Item 33.a., Beech Grove Calculation of South Water Cost per Contract and Item 34.a., Henderson County Water District Calculation of North Water Cost per Contract. Provide a detailed explanation as to why the rate calculations for the Henderson District includes reductions for the City Overhead Allocations but the rate calculation for Beech Grove Water does not include an overhead cost reduction.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAR 25 2021

cc: Parties of Record

Case No. 2021-00067

ATTACHMENT

ATTACHMENT TO A REQUEST FOR INFORMATION OF THE KENTUCKY
PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00067 MAR 25 2021

NARUC Depreciation Practices for Small Water Utilities, Depreciation Service Lives

NARUC Account Number	Class of Plant	Average Service Life Range		Mid-Point Service Life
	<u>Source of Supply & Pumping Plant</u>			
311.0	Structures and Improvements	35.0	40.0	37.5
312.0	Collecting & Impounding Res.	50.0	75.0	62.5
313.0	Lake, River and Other Intakes	35.0	45.0	40.0
314.0	Wells and Springs	25.0	35.0	30.0
315.0	Galleries and Tunnels	25.0	50.0	37.5
316.0	Supply Mains	50.0	75.0	62.5
317.0	Other Source of Water Supply Plant	30.0	40.0	35.0
	<u>Pumping Plant</u>			
321.0	Structures and Improvements	35.0	40.0	37.5
324.7	Pumping Equipment	20.0	20.0	20.0
328.0	Other Pumping Plant	25.0	25.0	25.0
	<u>Water Treatment Plant</u>			
	Structures and Improvements	35.0	40.0	37.5
	Water Treatment Equipment	20.0	35.0	27.5
	<u>Transmission & Dist. Plant</u>			
341.0	Structures and Improvements	35.0	40.0	37.5
342.0	Reservoirs & Tanks	30.0	60.0	45.0
343.0	Transmission & Distribution Mains	50.0	75.0	62.5
344.0	Fire Mains	50.0	75.0	62.5
345.0	Services	30.0	50.0	40.0
346.0	Meters	35.0	45.0	40.0
347.0	Meter Installations	40.0	50.0	45.0
348.0	Hydrants	40.0	60.0	50.0
	<u>General Plant</u>			
390.0	Structures and Improvements-General	35.0	40.0	37.5
391.0	Office Furniture & Equipment	20.0	25.0	22.5
392.0	Transportation Equipment	7.0	7.0	7.0
393.0	Stores Equipment	20.0	20.0	20.0
394.0	Tools, Shop and Garage Equip.	15.0	20.0	17.5
395.0	Laboratory Equipment	15.0	20.0	17.5
396.0	Power Equipment	10.0	15.0	12.5
397.0	Communication Equipment	10.0	10.0	10.0

*Henderson Water Utility
111 Fifth Street
Henderson, KY 42420

*Todd Bowley
Chief Financial Officer
Henderson Water Utility
111 Fifth Street
Henderson, KY 42420

*Eric A. Shappell
King, Deep & Branaman
127 North Main Street
P.O. Box 43
Henderson, KENTUCKY 42419